

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| APPLICATION OF DUKE ENERGY KENTUCKY,) | |
| INC. FOR APPROVAL TO TRANSFER) | |
| FUNCTIONAL CONTROL OF ITS) | |
| TRANSMISSION ASSETS FROM THE) | CASE NO. |
| MIDWEST INDEPENDENT TRANSMISSION) | 2010-00203 |
| SYSTEM OPERATOR TO THE PJM) | |
| INTERCONNECTION REGIONAL) | |
| TRANSMISSION ORGANIZATION AND) | |
| REQUEST FOR EXPEDITED TREATMENT) | |

O R D E R

On December 22, 2010, the Commission issued an Order granting Duke Energy Kentucky, Inc. ("Duke Kentucky") conditional approval to transfer its transmission assets from the operational control of the Midwest Independent System Operator ("Midwest ISO") to the PJM Interconnection Regional Transmission Organization ("PJM"). That Order imposed six conditions precedent that needed to be agreed to by Duke Kentucky, and one condition precedent to be agreed to by PJM. The one condition imposed upon PJM, which was also one of the six conditions imposed on Duke Kentucky, was that no retail customer participate in any PJM demand-response program absent prior Commission approval. Duke Kentucky and PJM filed letters on December 29, 2010 to state their respective acknowledgement of the conditions imposed by the December 22, 2010 Order.

Upon review of those letters, the Commission issued an Order on January 6, 2011 finding that Duke Kentucky's letter constituted a proper acknowledgement of the

six conditions imposed on it, but that PJM's letter was deficient. The basis for the deficiency finding was that PJM's letter acknowledged that a condition was imposed on Duke Kentucky prohibiting customer participation in PJM demand-response programs absent prior Commission approval, but did not acknowledge that the same condition was imposed on PJM. The January 6, 2011 Order concluded by stating that either PJM's letter needed to be clarified or a rehearing request needed to be filed for modification of the condition imposed on PJM.

On January 11, 2011, PJM filed a second letter clarifying the content of its prior letter of December 29, 2010.¹ PJM's clarification letter provides an unconditional acknowledgement that no retail customer of Duke Kentucky is authorized to participate in a PJM demand-response program absent prior Commission approval. The clarification letter also explains the procedures set forth in PJM's tariffs, as approved by the Federal Energy Regulatory Commission, which places the ultimate responsibility for approving or denying such customer participation on Duke Kentucky as the load serving entity in this case. Those procedures include as many as three notices from PJM to Duke Kentucky if a retail customer does request to participate in a PJM demand-response program. Further, the clarification letter states that Duke Kentucky will nominate no less than three individuals to receive the PJM notices should a retail customer request to participate in a PJM demand-response program.

¹ PJM's January 11, 2011 letter was a joint letter with Duke Kentucky, although it was only signed by PJM. The letter was refiled on January 14, 2011 bearing the signatures of both PJM and Duke Kentucky.

Based on a review of PJM's January 11, 2011 clarification letter, the Commission finds that the one remaining condition that had been imposed by our Order of December 22, 2010 has now been satisfied. Further, the Commission finds that it will be critical for Duke Kentucky to implement appropriate procedures for the receipt and tracking of notices from PJM regarding customer requests to participate in PJM demand-response programs. Consequently, Duke Kentucky should establish and file with the Commission for review detailed, internal procedures for the tracking of such notices from PJM.

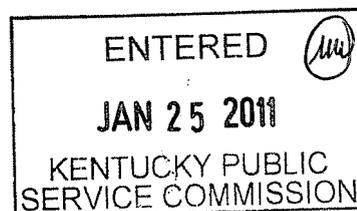
IT IS THEREFORE ORDERED that:

1. The conditional approval granted in our December 22, 2010 Order for Duke Kentucky to transfer its transmission assets to PJM is now unconditional.
2. Within 90 days of the date of this Order, Duke Kentucky shall file its internal procedures for the receipt and tracking of notices from PJM regarding customer requests to participate in PJM demand-response programs. Those procedures shall be reviewed by the Commission on an informal basis, unless a determination is made that a formal investigation is needed.
3. Any document filed in the future pursuant to Ordering paragraph 2 herein, shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission

ATTEST:


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